

ORIGINAL EXCEPTION



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2017 AUG -4 P 3:08

Arizona Corporation Commission

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*Attorneys for the Southwest
Energy Efficiency Project*

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE, Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD DUNN

IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR A HEARING
TO DETERMINE THE FAIR VALUE OF
THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. E-01345A-16-0036

EXCEPTIONS OF THE SOUTHWEST
ENERGY EFFICIENCY PROJECT

E-01345A-16-0123

1 The exceptions herein are submitted on behalf of the Southwest Energy Efficiency
2 Project ("SWEEP").

3 **I. THE LARGE INCREASES IN THE BASIC SERVICE CHARGES FOR**
4 **RESIDENTIAL, EXTRA SMALL, AND SMALL GENERAL SERVICE**
5 **CUSTOMERS ARE NOT IN THE PUBLIC INTEREST AND SHOULD**
6 **NOT BE APPROVED. THE COMMISSION SHOULD MODIFY THE**
7 **BASIC SERVICE CHARGES TO ENSURE JUST, FAIR, AND**
8 **REASONABLE RATES.**

9 The Settlement-proposed basic service charges (BSCs) for residential, extra small
10 general service, and small general service customers are not in the public interest, not
11 cost-based, and not cost-justified. SWEEP recommends that the Commission modify
12 them consistent with the basic customer method and the customer cost evidence in the
13 record. **See SWEEP Exception No. 1.**

14 The basic customer method is a method to calculate the BSC. It is consistent with
15 the principles established by Professor Bonbright and includes only the costs for direct
16 basic customer service. Those costs include the costs to hook up, bill, and maintain a
17 customer's account. Notably, there is no justification for deviating from the basic
18 customer method in this case.

19 SWEEP recommends that the residential BSCs be set at \$10 per month.¹
20 SWEEP's calculations use the basic customer method. They also use the correct
21 customer-related costs: the costs of meters, meter reading, billing, and customer service
22 (including the customer service drop). Additionally, SWEEP's calculations use the dollar
23 amounts in APS' accounts, fully consistent with the Uniform System of Accounts
24 Prescribed for Public Utilities, as published in the Code of Federal regulations. In
contrast, APS included some distribution costs and some costs that are not customer-

¹ SWEEP calculated the BSC at \$8.67 but noted that a \$10 BSC could be reasonable.

1 related in its BSC calculations. APS also acknowledged that the Settlement BSCs are not
2 cost-based or cost-justified because they are settlement values “derived through
3 compromise.”²

4 BSCs are a fixed charge that customers have no ability to mitigate. If the
5 Settlement Agreement is adopted as proposed, too much of the overall rate increase will
6 be recovered through a fixed charge. This will produce unfair and unreasonable customer
7 bill impacts that limit the opportunity for customers to mitigate the overall rate increase.
8 In fact SWEEP’s analyses show that for some customers most or all of the bill increase
9 will be recovered through the fixed charge. High BSCs also reduce customer incentives
10 to save money and electricity and reduce customer engagement in APS’s energy
11 efficiency programs.

12 SWEEP maintains that TEP is the appropriate point of comparison for the
13 Commission’s consideration. In its recent decision on the Tucson Electric Power (TEP)
14 rate case, the Commission approved residential BSCs of \$10 for TOU and demand rates
15 and \$13 for the basic rate. The TEP-approved BSCs are lower than the BSCs proposed in
16 the APS Settlement Agreement (\$13 for TOU and demand rates, and \$15 or \$20 for the
17 R-Basic or R-Basic Large rates). There remains the reasonable question of why APS
18 customers should be required to pay higher BSCs and higher fixed charges than TEP
19 customers.
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² Miessner Rebuttal, p. 7, line 22.

1 **II. THE DSM UNSPENT FUNDING ISSUE AND ANY POTENTIAL REFUND**
2 **SHOULD BE ADDRESSED IN THE DSM IMPLEMENTATION PLAN**
3 **PROCEEDING, CONSISTENT WITH PRIOR COMMISSION**
4 **DIRECTION AND WITH ADEQUATE AND APPROPRIATE DUE**
5 **PROCESS.**

6 SWEEP continues to recommend that the DSM unspent funding issue be
7 addressed in the DSM Implementation Plan proceeding, consistent with the clear
8 direction ordered by the Commission in Decision No. 75323. Addressing the DSM
9 unspent funding issue in the DSM proceeding would also ensure: (1) Appropriate due
10 process, with the opportunity for interested customers and stakeholders to participate and
11 comment on DSM issues; and (2) Proper notice to customers and stakeholders.

12 No party argued that the Commission had not previously ordered the DSM
13 unspent funding issue be addressed in the DSM proceeding. The prior direction of the
14 Commission in Decision No. 75323 is clear and unambiguous. Further, no party stated
15 that the Commission could not consider and act on the DSM unspent funding issue in the
16 DSM proceeding – because it is abundantly clear that the Commission has such authority,
17 and that the Commission has previously directed that the DSM unspent funds be
18 addressed in the DSM proceeding.

19 Addressing the DSM funding in the DSM proceeding would also retain the
20 Commission's flexibility. For example, it would enable the Commission to consider the
21 2017 DSM funding shortfall that APS has acknowledged and has responded to by
22 reducing spending in cost-effective energy efficiency programs and slashing customer
23 incentives.³ SWEEP notes that the Commission has approved using unspent DSM funds
24 in the two prior DSM program years, 2015 and 2016, in order to provide adequate and

³ In April 2017, APS reduced custom incentive levels for its commercial and industrial customers by 45%, and cut the incentives for customer studies by 50%, because it has insufficient DSM funds to meet customer interest in the programs

1 stable funding for DSM when APS was facing funding shortfalls. Similarly, the unspent
2 DSM funding could be used in 2017, to address customer demand for the programs.
3 SWEEP also notes that the Commission has leveraged unspent DSM funds in the past to
4 launch innovative pilot programs for customers, including a schools energy efficiency
5 program and efforts to support energy storage.

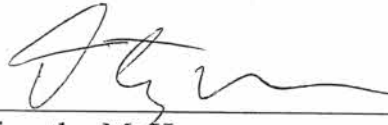
6 **See SWEEP Exception No. 2.**

7 **III. RESIDENTIAL TOU RATES SHOULD HAVE A SHORTER ON-PEAK**
8 **PERIOD THAT IS CUSTOMER-FRIENDLY AND EFFECTIVE.**

9 SWEEP recommends that the Commission modify the Settlement Agreement by
10 setting the on-peak period to three hours, from 4:00 p.m. to 7:00 p.m. This time period
11 would be more attractive to customers and more customers would be able to work with
12 and manage their energy usage during the peak periods – thereby resulting in less peak
13 demand, a more effective rate design overall, and more customers who are willing to
14 work with APS to manage their demand and energy use.

15 APS's peak load shape figure (Miessner Rebuttal, Figure 1, p. 10), which the
16 Administrative Law Judge included in the Recommended Opinion and Order, confirms
17 that the three summer hours with the highest peak demand are 4:00 p.m. to 7:00 p.m. The
18 Commission should not set the on-peak period for 2020 or future years in this rate case;
19 that decision could be made and is more appropriately made in the next rate case with the
20 then-current facts available for consideration. **See SWEEP Exception No. 3.**

1 RESPECTFULLY submitted this 4th day of August 2017.

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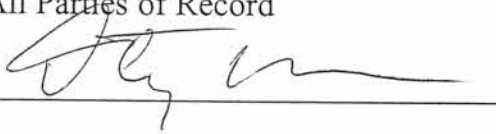
4 Timothy M. Hogan
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6 PUBLIC INTEREST
514 W. Roosevelt Street
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7 ORIGINAL and 13 COPIES of
8 the foregoing filed this 4th day
of August 2017 with:

9 Docketing Supervisor
10 Docket Control
11 Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

12 COPIES of the foregoing
13 electronically mailed this 4th day of
14 August 2017 to:

15 All Parties of Record

16 

SWEEP EXCEPTION NO. 1

TIME/DATE PREPARED: _____

COMPANY: Arizona Public Service Company AGENDA ITEM NO.: _____

DOCKET No.: E-01345A-16-0036 OPEN MEETING: _____

Purpose: To set the basic service charges (BSCs) for residential customers at \$10, and for extra small general service and small general service customers at \$12; consistent with the basic customer method and the customer cost evidence in the record.

Page 46, Line 19 after "Agreement":

INSERT:

"do not"

Page 46, Line 20 after "and are":

INSERT:

"not"

Page 46, Line 20 after "interest."

INSERT:

"The increase in the BSC as proposed by the Settlement Agreement is too high given all of the other forces working in this case. We adopt instead SWEEP's recommendation for a BSC of \$10 for residential customers and \$12 for extra small general service and small general service customers. By approving this charge, we adopt the Basic Customer Method to inform our policy decision. We find that this decision appropriately balances the interest of the ratepayers to manage their bills with the Company's need for stable revenue recovery."

Page 59, Line 10 after "as discussed"

INSERT:

"and modified"

Page 101, Line 6 after "except":

INSERT:

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“as modified herein, and except”

Make all conforming changes.

SWEEP EXCEPTION NO. 2

TIME/DATE PREPARED: _____

COMPANY: Arizona Public Service Company AGENDA ITEM NO.: _____

DOCKET No.: E-01345A-16-0036 OPEN MEETING: _____

Purpose: To direct that the DSM unspent funding issue and any potential refund be addressed in the DSM Implementation Plan Proceeding, consistent with prior Commission direction, and to allow for adequate and appropriate due process for customers and interested stakeholders to participate and comment on DSM issues.

Page 32, Lines 6-7:

DELETE:

“the provision is well-supported, reasonable, and in the public interest”

REPLACE with:

“this issue is best addressed in the DSM Implementation Plan Proceeding, consistent with Commission Decision No. 75323, and to allow for adequate and appropriate due process for customers and interested stakeholders to participate and comment on DSM issues”

Page 59, Line 10 after “as discussed”

INSERT:

“and modified”

Page 101, Line 6 after “except”:

INSERT:

“as modified herein, and except”

Page 102, Line 20:

DELETE:

“is approved”

REPLACE with:

1 “shall be addressed in the DSM Implementation Plan Proceeding”
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3 **Make all conforming changes.**
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SWEEP EXCEPTION NO. 3

TIME/DATE PREPARED: _____

COMPANY: Arizona Public Service Company AGENDA ITEM NO.: _____

DOCKET No.: E-01345A-16-0036 OPEN MEETING: _____

Purpose: To set the on-peak period to three hours, from 4:00 p.m. to 7:00 p.m., for residential TOU rates, so that the on-peak period is more customer friendly, effective, and aligns with APS' three highest summer peak hours.

Page 58, Lines 21 -22:

DELETE:

Lines 21-22

and REPLACE with:

"The arguments advanced by SWEEP and AARP in favor of rejecting the proposed Settlement Agreement on-peak TOU hours are convincing. The on-peak period should be set for three hours, from 4:00 p.m. to 7:00 p.m. This on-peak time period will result in a more effective rate design that will be more attractive to customers and that will enable more customers to work with APS to manage their demand and energy use."

Page 59, Lines 1 - 6:

DELETE:

Lines 1- 6.

Page 59, Line 10 after "as discussed"

INSERT:

"and modified"

Page 101, Line 6 after "except":

INSERT:

"as modified herein, and except"

Make all conforming changes.